

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	193.44	(0.65)	0.00	192.79	(0.65)	0.00	192.79	192.79
Personal Services	6,878,677	938,994	0	7,817,671	952,592	0	7,831,269	15,648,940
Operating Expenses	5,100,488	350,126	287,112	5,737,726	339,097	250,000	5,689,585	11,427,311
Equipment	69,036	0	85,000	154,036	0	0	69,036	223,072
Grants	7,226,930	137,721	257,000	7,621,651	137,721	257,000	7,621,651	15,243,302
Benefits & Claims	175,529,268	10,463,589	2,093,521	188,086,378	15,122,648	2,829,709	193,481,625	381,568,003
Transfers	0	0	0	0	0	0	0	0
Debt Service	15,912	0	0	15,912	0	0	15,912	31,824
Total Costs	\$194,820,311	\$11,890,430	\$2,722,633	\$209,433,374	\$16,552,058	\$3,336,709	\$214,709,078	\$424,142,452
General Fund	37,464,018	8,177,313	810,441	46,451,772	9,507,394	1,042,612	48,014,024	94,465,796
State/Other Special	14,355,230	3,612,457	576,112	18,543,799	4,748,598	454,000	19,557,828	38,101,627
Federal Special	143,001,063	100,660	1,336,080	144,437,803	2,296,066	1,840,097	147,137,226	291,575,029
Total Funds	\$194,820,311	\$11,890,430	\$2,722,633	\$209,433,374	\$16,552,058	\$3,336,709	\$214,709,078	\$424,142,452

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

- 1) Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services;
- 2) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
- 3) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 94 Montana nursing homes;
- 4) Adult protective services, including the investigation of abuse, neglect, and exploitation, are provided by protective services social workers;
- 5) Skilled nursing care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and
- 6) State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA (authorizes and establishes Montana Veteran's Homes); 53-1-602, MCA (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program)

Program Highlights

Senior and Long Term Division (SLTC) Major Budget Highlights
<ul style="list-style-type: none"> • Changes in the federal Medicaid match increase general fund match requirements by \$16 million and reduce federal funds by a like amount in the 2007 biennium budget request • Medicaid service increases and proposed expansions add \$18 million total funds, including \$3 million general fund • The executive budget continues one-time diversion of tobacco settlement revenues from tobacco prevention and control to fund a substantial share of state matching funds hospice and home health therapy Medicaid services • The executive budget includes about \$0.5 million to continue 2005 biennium Meals on Wheels funding that was supported by one-time federal fiscal relief funds
Major LFD Issues
<ul style="list-style-type: none"> • LFD estimate of nursing home Medicaid costs is lower than executive estimate by \$7 million total funds, including \$2 million general fund • The legislature could consider structuring appropriations for home and community based services in such a way as to recognize the impact expansion of these services have on helping to maintain or lower nursing home costs • The legislature may receive pressure to increase nursing home rates if Medicaid Intergovernmental Transfer (IGT) program is scaled back

Program Narrative

The 2007 biennium budget request for SLTC grows about \$35 million total funds (\$20 million general fund) compared to base budget expenditures. Most of the change is in the Medicaid services function, which accounts for 91 percent of the FY 2007 request (see Figure 49). Aging and veterans' services each account for about 4 percent of the division request.

Figure 49

Senior and Long Term Care Division 2004 Base Budget Expenditures and 2007 Beinnium Budget Request by Major Function and Service

Function and Benefits and Grants	FY 2004 Base Budget				FY 2006 Executive Request				FY 2007 Executive Request				% of Total Division
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	
Division Administration	\$158,492	\$55,583	\$147,171	\$361,246	\$159,196	\$55,629	\$147,261	\$362,086	\$158,665	\$55,661	\$147,345	\$361,671	0%
Medicaid Services	34,012,784	9,639,499	132,800,356	176,452,639	42,587,320	13,012,874	133,540,471	189,140,665	44,150,367	14,214,840	136,171,650	194,536,857	91%
Aging Services	1,992,967	24,771	6,786,359	8,804,097	2,282,623	24,771	6,916,469	9,223,863	2,282,415	24,771	6,916,975	9,224,161	4%
Veterans' Program	0	4,413,478	2,904,987	7,318,465	0	5,206,281	3,465,057	8,671,338	0	5,017,681	3,532,628	8,550,309	4%
Adult Protective Svcs	<u>1,299,775</u>	<u>221,899</u>	<u>362,190</u>	<u>1,883,864</u>	<u>1,422,633</u>	<u>244,244</u>	<u>368,545</u>	<u>2,035,422</u>	<u>1,422,577</u>	<u>244,875</u>	<u>368,628</u>	<u>2,036,080</u>	<u>1%</u>
Total Division	<u>\$37,464,018</u>	<u>\$14,355,230</u>	<u>\$143,001,063</u>	<u>\$194,820,311</u>	<u>\$46,451,772</u>	<u>\$18,543,799</u>	<u>\$144,437,803</u>	<u>\$209,433,374</u>	<u>\$48,014,024</u>	<u>\$19,557,828</u>	<u>\$147,137,226</u>	<u>\$214,709,078</u>	100%
Percent of Total	19.2%	7.4%	73.4%	100.0%	22.2%	8.9%	69.0%	100.0%	22.4%	9.1%	68.5%	100.0%	
Compounded Annual Rate of Change from FY 2004 Base					11.4%	13.7%	0.5%	3.7%	8.6%	10.9%	1.0%	3.3%	
Benefits													
<i>Medicaid</i>													
Nursing Homes	\$23,899,235	\$ 4,977,388	\$87,690,839	\$116,567,462	\$29,490,548	\$6,125,107	\$85,453,841	\$121,069,496	\$30,319,160	\$6,149,794	\$84,903,215	\$121,372,169	57%
Intergovt. Transfer	0	3,639,594	11,468,724	15,108,318	0	5,653,133	14,074,936	19,728,069	0	6,830,412	16,436,088	23,266,500	11%
Home Based Services	4,386,083	999,999	17,168,128	22,554,210	6,054,708	1,203,999	17,570,880	24,829,587	6,436,031	1,203,999	18,007,512	25,647,542	12%
Waiver Services	4,871,238	0	15,021,851	19,893,089	6,126,512	0	14,894,077	21,020,589	6,479,208	0	15,277,569	21,756,777	10%
Nurse Aide Testing	139,087	0	139,087	278,174	139,087	0	139,087	278,174	139,087	0	139,087	278,174	0%
State Supplement	864,900	0	0	864,900	897,348	0	0	897,348	897,348	0	0	897,348	0%
Aging Services	59,661	0	0	59,661	59,661	0	0	59,661	59,661	0	0	59,661	0%
Institutional - MVH	<u>0</u>	<u>0</u>	<u>203,454</u>	<u>203,454</u>	<u>0</u>	<u>0</u>	<u>203,454</u>	<u>203,454</u>	<u>0</u>	<u>0</u>	<u>203,454</u>	<u>203,454</u>	<u>0%</u>
Subtotal Benefits	<u>\$34,220,204</u>	<u>\$9,616,981</u>	<u>\$131,692,083</u>	<u>\$175,529,268</u>	<u>\$42,767,864</u>	<u>\$12,982,239</u>	<u>\$132,336,275</u>	<u>\$188,086,378</u>	<u>\$44,330,495</u>	<u>\$14,184,205</u>	<u>\$134,966,925</u>	<u>\$193,481,625</u>	90%
Percent of Total	19%	5%	75%	100%	23%	7%	70%	100%	23%	7%	70%	100%	
Compounded Annual Rate of Change from FY 2004 Base					12%	16%	0%	4%	9%	14%	1%	3%	

The Medicaid function shows the largest increase growing from \$177 million in the base budget to \$195 million in the FY 2007 request, or an increase of \$18 million. Comparatively, veterans' services grow from \$7 to \$9 million over the same time period and aging services remain relatively constant at around \$9 million. The change in the division administration function budget is negligible – under \$400.

General fund support increases from 19 percent of base budget expenditures to 22 percent in FY 2007. About \$16 million of the general fund expansion is due largely to the increases in state Medicaid match rate because of:

- The temporary enhancement of the federal match rate (2.95 percent) in FY 2004, which causes an offsetting increase in state match rates during each year of the 2007 biennium
- Annual adjustments in state Medicaid match rates determined by changes in state per capita income compared to national per capital income

The rest of the general fund growth is due to increases in Medicaid caseloads and service utilization as well as proposals to expand community services. A request to continue Meals on Wheels at the FY 2004 expenditure level, which is partially funded by a one-time appropriation of federal fiscal relief funds, adds about \$0.5 million general fund.

State special revenue increases about \$9 million over the 2007 biennium compared to base budget funding. The largest changes are in:

- County revenues that fund a nursing home Medicaid intergovernmental transfer (IGT)
- Nursing home bed tax revenues that are used as state match to increase Medicaid nursing home rates
- Cigarette tax revenue, which supports the two veterans' homes

Federal funds grow about \$6 million over the biennium compared to base budget funding. The increase is due to:

- Changes in Medicaid caseload and service utilization, including service expansion
- Growth in federal reimbursement for Montana veterans' homes
- Additional federal aging grant funds

SLTC Functions

Figure 49 shows the SLTC budget request and base budget expenditures by function and fund source. Medicaid services are the most significant function from a budget standpoint and use \$44 million of the \$48 million general fund request in FY 2007. The remaining \$4 million general fund is allocated to:

- Adult protective services – \$1.4 million
- Grants to local agencies for aging services – about \$1.2 million
- Administration of Medicaid services and general division administration – about \$1.4 million

Nursing Home Services

Nursing home services are the largest Medicaid function and the single largest budget component of the division, with 57 percent of the total FY 2007 budget request. If intergovernmental transfer (IGT) payments for nursing homes are added, the Medicaid nursing home component grows to 68 percent of the total FY 2007 request.

Nursing Home Caseload/Cost Estimate

The SLTC request is based on a very small increase in the number of persons accessing Medicaid nursing home services. For the last several biennia, LFD staff has estimated a lower nursing home caseload than the executive. The 2007 biennium is no exception; LFD estimates of nursing home caseload growth are again lower than those the executive.

LFD ISSUE

Nursing Home Cost Estimates – The difference between the executive request and LFD estimate of Medicaid nursing home costs is nearly \$7 million total funds over the biennium, which includes \$2 million general fund. Medicaid nursing home costs are driven by two variables: 1) the average daily rate; and 2) the number of days of care. The executive and LFD use different daily rates and a different number of days of care, which is shown in Figure 50.

**LFD
ISSUE CONT.**

The executive bases its estimate on a daily rate of \$98.69, which is \$0.90 higher than the rate used by the LFD. The difference between the two estimates is the amount that the executive expects the increase in the bed tax to generate, which would raise the daily rate by \$0.90 from the estimated FY 2005 level. A portion of the nursing home bed tax (\$4.20 of the \$7.00 total per day on all occupied beds) is used as state match to draw federal Medicaid funds to increase Medicaid rates for nursing care services. The legislature may wish to:

- Review rate estimates during its deliberations and adopt either the LFD or DPHHS rate, or
- Segregate and condition any amount approved for the daily rate increase due to the bed tax so that rates increase only as much as the bed tax matching funds allow

The average daily rate paid for Medicaid nursing home care has increased steadily from FY 1991 through FY 2007. The rate in Figure 51 shows the Medicaid portion of the rate as well as the patient contribution. Rate growth is the primary reason that Medicaid nursing home costs have increased over the last several years, because the number of days of care has steadily declined since FY 1995.

Figure 51

**Total Medicaid Nursing Home Daily Rate
Including Patient Contribution But Not IGT**

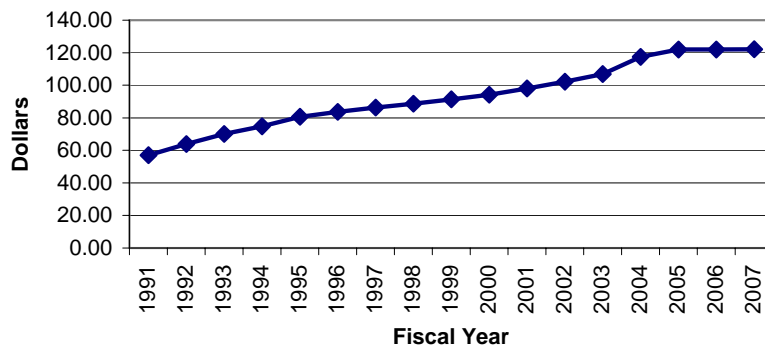


Figure 50

**Medicaid Nursing Home Costs
Executive Budget Compared to LFD Estimate**

Fiscal Year	Executive Request	LFD Estimate	LFD Over (Under) Exec.
FY 2004*			
Days of Care	1,242,850		
Rate	\$93.79		
Total	\$116,566,902		
FY 2005*			
Days of Care	1,223,754		
Rate	\$97.79		
Total	\$119,670,904		
FY 2006			
Days of Care	1,226,813	1,211,516	(15,297)
Rate	\$98.69	\$97.79	(\$0.90)
Total	\$121,069,496	\$118,474,195	(\$2,595,301)
State Match	\$35,461,255	\$34,701,092	(\$760,164)
FY 2007			
Days of Care	1,229,880	1,199,401.30	(30,479)
Rate	\$98.69	\$97.79	(\$0.90)
Total	\$121,372,169	\$117,289,453	(\$4,082,716)
State Match	\$36,314,553	\$35,093,004	(\$1,221,549)
General Fund - Biennial Difference			(\$1,981,712)

*FY 2004 based on actual expenditures and FY 2005 based on DPHHS estimate.

The executive budget request is based on a 0.25 percent (1/4 of 1 percent) increase in the number of Medicaid days of care each year, which equates to an additional 8 persons accessing nursing home care each year. Although that is a very small increase, the number of nursing home Medicaid days of care has declined between 1 to 2 percent annually over the last 5 years. The LFD estimate uses a 1 percent annual decline in the number of days of care from the FY 2005 level estimated by DPHHS.

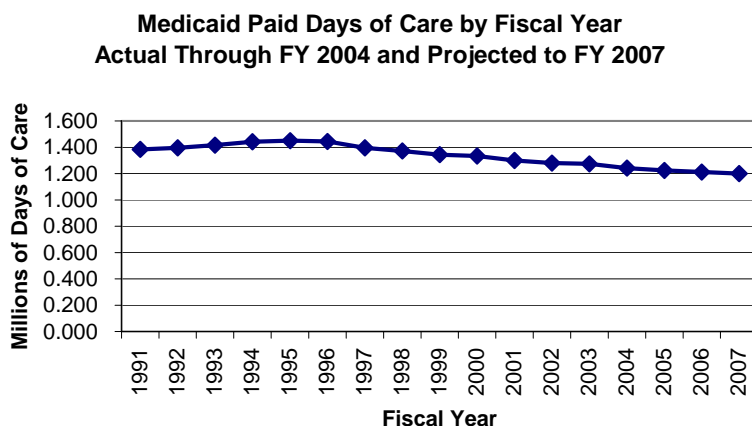
Figure 52 illustrates the number of Medicaid days of nursing home care from FY 1991 through FY 2007. FY 2006 and FY 2007 reflect LFD estimates.

**LFD
ISSUE CONT.**

There are any number of reasons why the Medicaid days of care has declined. But one important reason is expansion of community services that help maintain persons in their own home or in assisted living group care situations. The community service expansion has occurred in both the private and public paid markets.

The executive budget includes a request to expand community based waiver services as well as an increase in home based entitlement services. If the legislature approves the community and home services expansions, that will help moderate nursing home service growth during the 2007 biennium.

Figure 52

Intergovernmental Transfers (IGTs)

An IGT is an allowable federal Medicaid reimbursement for non-state, publicly administered Medicaid services. In this case, county administered and managed nursing homes are allowed to recoup additional reimbursement for Medicaid subject to several restrictions. Counties must make a payment to the state (an intergovernmental transfer). The state uses the county funds as matching funds to draw down additional federal Medicaid funds. The state then adds an additional amount of reimbursement for each day of Medicaid nursing home care that is provided. The total paid under Medicaid, including an IGT, is subject to an upper payment limit. A state may pay no more for Medicaid services than what Medicare would pay or what would be paid using a Medicare payment methodology. The legislature has approved such payments and provided oversight that the majority of the IGT payment is used to boost county nursing home rates while a portion of the IGT is distributed to all nursing homes, including those that are privately operated.

**LFD
ISSUE**

Federal Guidance on IGTs – Historically, some states used the IGT mechanism to draw down large sums of federal Medicaid matching funds and divert those payments from health services to fund other public functions, some entirely unrelated to Medicaid. In January 2001, the federal Centers for Medicare and Medicaid Services (CMS) published rules governing IGTs and established upper payment limits as well as differentiating between state funded and publicly funded non-state services in an effort to target IGTs to health services administered by entities other than the state. Montana crafted its nursing home IGT program in compliance with those guidelines.

Recently, CMS has become concerned that public non-state entities participating in IGTs may be diverting federal Medicaid IGT payments to services unrelated to nursing home or health services. In some instances, CMS went so far as to condition acceptance of routine Medicaid state plan amendments on the condition that the state discontinue its IGT program.

**LFD
ISSUE CONT.**

CMS provisionally approved the Montana nursing home Medicaid plan on the condition that within two years, DPHHS certify to CMS that all entities participating in IGTs were using the funds for health related costs. If DPHHS were to make that certification and if CMS were to audit payments and determine that funds were being diverted to non-approved uses, the state could be liable to repay the misspent federal Medicaid IGT payments.

DPHHS is awaiting guidance from CMS about financial transactions that are allowed between a nursing home and the county. DPHHS has written CMS and DPHHS staff has had face-to-face meetings with top CMS officials in order to obtain such guidance. However, if CMS does not provide guidance in a timely manner, DPHHS staff will in cooperation with county administered nursing homes define allowable transactions between counties and nursing homes for IGT payments. That guidance would form the basis of DPHHS and county compliance for IGT payments.

The legislature may wish to review with DPHHS staff the IGT guidance either as it is received from CMS or as DPHHS envisions what transactions may be allowable. Figure 53 shows total average Medicaid nursing home daily rates, including IGT payments. On average, IGT payments would increase Medicaid nursing home rates 14 percent in FY 2007.

Figure 53

**Total Average Daily Medicaid Rate - Nursing Homes
Fiscal 2004 Actual Compared to 2007 Biennium LFD Estimate**

Component	FY 2004	FY 2006	FY 2007	% of Ttl
HB 2 Ongoing Rate	\$93.79	\$97.79	\$97.79	69%
Percent Increase		2%	0%	
One Time Add On				
Intergovernmental Transfer	<u>\$12.16</u>	<u>\$16.28</u>	<u>\$19.40</u>	<u>14%</u>
Total State Paid Rate	<u>\$90.08</u>	<u>\$114.09</u>	<u>\$117.18</u>	<u>83%</u>
Percent Increase		\$0.13	\$0.03	
Patient Contribution	<u>\$23.47</u>	<u>\$24.17</u>	<u>\$24.28</u>	<u>17%</u>
Estimated Total Average Rate	<u>\$112.95</u>	<u>\$138.39</u>	<u>\$141.49</u>	<u>100%</u>
Percent Increase		11%	2%	

IGT payments to county nursing homes have enabled some homes to remain financially viable. Without such payments, the legislature may face pressure to increase nursing home rates.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Senior & Long-Term Care						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 37,464,018	19.2%	\$ 46,451,772	22.2%	\$ 48,014,024	22.4%
02023 Private Ins. Medicaid Reim.-Ve	2,385,912	1.2%	2,723,975	1.3%	2,723,975	1.3%
02032 Vets-I&I Lease	5,000	0.0%	5,000	0.0%	5,000	0.0%
02053 Medicaid Nursing Home Match	5,250,731	2.7%	7,264,270	3.5%	8,441,549	3.9%
02260 Cigarette Tax Revenue	2,078,149	1.1%	2,532,935	1.2%	2,344,367	1.1%
02497 6901-Lien & Estate - Sltd	384,887	0.2%	407,232	0.2%	407,863	0.2%
02698 69010-Prevention&Stabilization	-	-	204,000	0.1%	204,000	0.1%
02782 69010-Csb Conference	22,518	0.0%	22,518	0.0%	22,518	0.0%
02783 6901-Traumatic Brain Injury Dn	-	-	8,117	0.0%	8,117	0.0%
02796 69010-Governor'S Conf On Aging	24,771	0.0%	24,771	0.0%	24,771	0.0%
02987 Tobacco Interest	703,779	0.4%	703,779	0.3%	703,779	0.3%
02990 69010-Nursing Home Utilization	3,499,483	1.8%	4,647,202	2.2%	4,671,889	2.2%
03005 Emvh V-A Nursing Reimbursement	1,139,545	0.6%	1,287,423	0.6%	1,311,441	0.6%
03073 Aging - Farmers Market	36,786	0.0%	36,786	0.0%	36,786	0.0%
03112 Vets-V.A. Reimb	1,706,361	0.9%	2,085,162	1.0%	2,126,865	1.0%
03501 64.014 - Vets St. Domic Care 1	59,081	0.0%	92,472	0.0%	94,322	0.0%
03514 10.570 - Elderly Feeding 100%	649,304	0.3%	649,304	0.3%	649,304	0.3%
03515 93.041 - Elder Abuse Prev 100%	26,288	0.0%	26,288	0.0%	26,288	0.0%
03516 93.042 - Ombudsman Activity 10	66,141	0.0%	66,141	0.0%	66,141	0.0%
03517 93.043 - Preventive Hlth 100%	108,496	0.1%	108,496	0.1%	108,496	0.1%
03518 93.044 - Aging Sup S & Train 1	1,821,802	0.9%	1,814,230	0.9%	1,814,758	0.8%
03519 93.045 - Aging Meals 100%	2,665,181	1.4%	2,665,181	1.3%	2,665,181	1.2%
03537 93.779 - Hlth Info Counseling	166,064	0.1%	166,064	0.1%	166,064	0.1%
03579 93.667 - Ssbgs - Benefits	297,975	0.2%	297,975	0.1%	297,975	0.1%
03580 6901-93.778 - Med Adm 50%	1,287,295	0.7%	1,389,624	0.7%	1,390,298	0.6%
03583 93.778 - Med Ben Fmap	131,692,083	67.6%	132,336,275	63.2%	134,966,925	62.9%
03666 Aging - Caregiver Iii-E	724,873	0.4%	862,594	0.4%	862,594	0.4%
03799 6901-Older Worker Program	553,788	0.3%	553,788	0.3%	553,788	0.3%
Grand Total	<u>\$ 194,820,311</u>	<u>100.0%</u>	<u>\$ 209,433,374</u>	<u>100.0%</u>	<u>\$ 214,709,078</u>	<u>100.0%</u>

As noted earlier, long-term care and aging services are funded by a combination of general fund, state special revenue, and federal funds. General fund supports the state share of Medicaid costs (about \$87 million of the 2007 biennium general fund budget request), and some adult protective services and aging services functions.

Sources of state special revenue, what each pays for, and the biennial request are:

- County funds for state match for the nursing home Medicaid intergovernmental transfer (IGT) – about \$16 million
- Nursing home bed tax revenues for additions to nursing home rates above the FY 2003 level – about \$9 million
- Cigarette taxes for veterans' services, predominantly the cost of operating the two Montana veterans' homes – about \$5 million
- Interest income from the tobacco settlement funds constitutional trust for state match for Medicaid – about \$1 million
- Recoveries for a portion of long-term care costs from liens and estates used for adult protective services – about \$1 million
- Tobacco settlement revenues diverted from tobacco prevention and control (requires statutory change) for state Medicaid match for hospice and home health therapy services – about \$0.4 million
- Conference fees to pay part of aging conferences and donations for traumatic brain injury services – all together about \$0.1 million

Federal funds support 69 percent of the 2007 biennium budget request. Federal Medicaid matching funds for services and

administration are the single largest funding source for SLTC with 64 percent of the total biennial request. Other federal funding sources, what each pays for, and the biennial request are:

- Aging grants for other services including funds for care giver, ombudsman, older worker, preventive health, health counseling, training, abuse prevention, administration of community services agencies, and farmers' market services – about \$8 million
- Grants for meals and feeding services for elderly – about \$7 million
- Veterans' administration payments for veterans' home services – about \$7 million

Veterans' Portion of Cigarette Taxes

A portion of cigarette taxes (the greater of 8.3 percent or \$2 million of the proceeds) is allocated for the support and maintenance of the veterans' homes (16-11-119(1)(a), MCA). Figure 54 shows FY 2004 base budget expenditures and revenues from the cigarette tax proceeds allocated to veterans' services compared to projected revenues and expenses through the end of FY 2007. The 2003 Legislature amended statute to transfer funds in excess of \$2 million from the account to the general fund. About \$10.5 million in excess cigarette tax revenues would be transferred to the general fund through the end of FY 2007 based on projected revenue and expenditure. The adjustment in FY 2004 represents accounting changes to record prior year adjustments.

Figure 54 Cigarette Tax Fund Balance Supporting Veterans' Services				
Fund Balance				
Deposits/Expenditures	FY 2004	FY 2005*	FY 2006*	FY 2007*
Beginning Fund Balance	\$2,341,021	\$2,008,887	\$2,000,000	\$2,000,000
Revenue/Transfers In				
Cigarette Tax	\$3,417,613	\$4,826,000	\$6,109,000	\$5,895,000
Expenditures				
Veterans' Homes Operations	\$2,022,566	\$1,879,314	\$1,809,373	\$1,742,885
Long-Range Building	180,570	260,194	470,000	470,000
DPHHS Cost Allocated Admin.	105,111	108,264	111,512	114,858
Division Administrative Cost	55,583	56,139	55,629	55,661
Subtotal Expenditures	\$2,363,830	\$2,303,911	\$2,446,514	\$2,383,404
Transfer to General Fund	(\$1,054,958)	(\$2,530,976)	(\$3,662,485)	(\$3,511,597)
Adjustments	(\$330,959)	\$0	\$0	\$0
Ending Fund Balance	<u>\$2,008,887</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>
<p>*Revenue based on estimates adopted by the Revenue Oversight Taxation and Transportation Committee. Expenditures are based on executive budget request. Estimated expenditures also include long-range building requests funded from the veterans' cigarette allocation and estimated indirect costs allocated within DPHHS.</p>				

There are two long-range building program requests for the veterans' homes funded from cigarette taxes. One project for the Eastern Montana Veterans' Home would remodel the north wing of the facility and convert it into a 16-bed special care unit for dementia residents. The existing 10-bed special care unit would be renovated and used as regular nursing home beds. The total facility bed capacity would remain at 80 but this proposal would allow the home to admit 6 more residents into a secure environment and provide dementia care. The special care unit historically has operated at full capacity even though the regular nursing facility has not.

The second long-range building request would fund improvements for the superintendent's residence and renovate the services building /chapel on the grounds of the Montana Veterans' Home. Additionally physical changes to address accessibility issues with the campus grounds adjacent to these buildings would be incorporated into these projects (curbs/sidewalks and ramps).

Biennial Comparison

Figure 55 shows the 2007 biennium executive budget request compared to the 2005 biennium actual expenditures and appropriation. The total increase between the biennia is about 3 percent of \$13 million. General fund rises 17 percent, due to the increase in state Medicaid matching rates as discussed earlier and due to increases in Medicaid entitlement programs as well as executive requests to expand capped Medicaid community waiver services. State special revenue grows by 13 percent due to increases in county nursing home IGT payments, nursing home bed tax revenue, and cigarette tax funding and private payments for veterans' services. Federal funds increase due to Medicaid caseload growth and service expansion, as well as increases in federal grants for aging and veterans' services.

Figure 55					
2005 Biennium Compared to 2007 Biennium					
Senior and Long Term Care Division					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Difference	Percent Change
FTE	193.44	192.79		(0.65)	
Personal Services	\$14,591,839	\$15,648,940	4%	\$1,057,101	7%
Operating	10,137,142	11,427,311	3%	1,290,169	13%
Equipment	147,230	223,072	0%	75,842	52%
Grants	14,376,499	15,243,302	4%	866,803	6%
Benefits/Claims	371,926,336	381,568,003	90%	9,641,667	3%
Debt Service	33,638	31,824	0%	(1,814)	-5%
Total Costs	<u>\$411,212,684</u>	<u>\$424,142,452</u>	100%	<u>\$12,929,768</u>	<u>3%</u>
			0%		
General Fund	\$80,632,162	\$94,465,796	22%	\$13,833,634	17%
State Special	33,790,229	38,101,627	9%	4,311,398	13%
Federal Funds	<u>296,790,293</u>	<u>291,575,029</u>	69%	<u>(5,215,264)</u>	<u>-2%</u>
Total Funds	<u>\$411,212,684</u>	<u>\$424,142,452</u>	100%	<u>\$12,929,768</u>	<u>3%</u>

Funding for personal services grows 8 percent despite a net decrease in FTE by 0.65. Operating costs increase due largely to increases for veterans' homes. Grants increase due to executive requests to add federal funds for services for the aging. Benefits and claims grow 3 percent, but because those costs are so significant, the total cost change is the largest of any category (nearly \$10 million between biennia). Benefits costs increase due to Medicaid service growth and expansion, as well as rate changes.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Each of the present law and new proposal adjustments will be discussed by division function.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,059,103						1,073,502
Vacancy Savings				(317,510)						(318,087)
Inflation/Deflation				5,862						3,894
Fixed Costs				126,450						93,371
Total Statewide Present Law Adjustments				\$873,905						\$852,680
DP 16 - Medicaid Caseload - Home Based Services										
0.00	385,510	0	923,846	1,309,356	0.00	636,491	0	1,490,820	2,127,311	
DP 21 - Medicaid Caseload - Nursing Homes										
0.00	170,926	0	412,640	583,566	0.00	265,163	0	621,076	886,239	
DP 22 - State Supplement Caseload Increase										
0.00	32,448	0	0	32,448	0.00	32,448	0	0	32,448	
DP 24 - FMAP Enhancement Adjustment - Nursing Homes										
0.00	2,972,470	0	(2,972,470)	0	0.00	2,972,470	0	(2,972,470)	0	
DP 27 - FMAP Enhancement Adjustment - Home Based Services										
0.00	569,730	0	(569,730)	0	0.00	569,730	0	(569,730)	0	
DP 28 - FMAP Enhancement Adjustment - Waiver Services										
0.00	507,274	0	(507,274)	0	0.00	507,274	0	(507,274)	0	
DP 30 - FMAP Adjustment - Nursing Homes										
0.00	2,447,917	0	(2,447,917)	0	0.00	3,182,292	0	(3,182,292)	0	
DP 33 - FMAP Adjustment - Home Based Services										
0.00	490,189	0	(490,189)	0	0.00	615,730	0	(615,730)	0	
DP 34 - FMAP Adjustment - Waiver Services										
0.00	417,755	0	(417,755)	0	0.00	543,081	0	(543,081)	0	
DP 88 - Annualize HB 705 Nursing Home Fee										
0.00	0	1,147,719	2,770,749	3,918,468	0.00	0	1,172,406	2,746,062	3,918,468	
DP 89 - County Nursing Home IGT Increase										
0.00	0	1,353,125	3,266,626	4,619,751	0.00	0	2,440,928	5,717,254	8,158,182	
DP 91 - FMAP Enhancement Adjustment - Nursing Home IGTs										
0.00	0	362,163	(362,163)	0	0.00	0	362,163	(362,163)	0	
DP 93 - Montana Veterans' Home Adjustments										
0.00	0	295,821	0	295,821	0.00	0	295,821	0	295,821	
DP 94 - FMAP Adjustment - County Nursing Home IGTs										
0.00	0	298,251	(298,251)	0	0.00	0	387,727	(387,727)	0	
DP 106 - Annualize Traumatic Brain Injury Funds										
0.00	0	8,117	0	8,117	0.00	0	8,117	0	8,117	
DP 173 - Increased Funding For Caregiver Program										
0.00	0	0	137,721	137,721	0.00	0	0	137,721	137,721	
DP 175 - Additional Funding - Eastern Montana Veterans Home										
0.00	0	0	148,236	148,236	0.00	0	0	172,254	172,254	
DP 9999 - Statewide FTE Reduction										
(0.65)	(36,959)	0	0	(36,959)	(0.65)	(37,183)	0	0	(37,183)	
Total Other Present Law Adjustments										
(0.65)	\$7,957,260	\$3,465,196	(\$405,931)	\$11,016,525	(0.65)	\$9,287,496	\$4,667,162	\$1,744,720	\$15,699,378	
Grand Total All Present Law Adjustments				\$11,890,430						\$16,552,058

New Proposals

New Proposals										
Fiscal 2006					Fiscal 2007					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Continuation of PSA for Hospice and Home Therapy (Requires Legislation)										
22	0.00	0	204,000	0	204,000	0.00	0	204,000	0	204,000
DP 68 - Restore Meals on Wheels Funding										
22	0.00	257,000	0	0	257,000	0.00	257,000	0	0	257,000
DP 81 - Additional Clients in Community Based Waiver										
22	0.00	330,245	0	797,255	1,127,500	0.00	557,615	0	1,306,073	1,863,688
DP 95 - Montana Veterans' Home Contingency Fund Line Item										
22	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 114 - Personal Assistance Base Restoration										
22	0.00	223,196	0	538,825	762,021	0.00	227,997	0	534,024	762,021
DP 116 - Montana Veterans' Home Replacement Vehicles										
22	0.00	0	85,000	0	85,000	0.00	0	0	0	0
DP 118 - Eastern Montana Veterans' Home Flooring										
22	0.00	0	37,112	0	37,112	0.00	0	0	0	0
Total	0.00	\$810,441	\$576,112	\$1,336,080	\$2,722,633	0.00	\$1,042,612	\$454,000	\$1,840,097	\$3,336,709

Medicaid Services Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	18.00	(0.50)	0.00	17.50	(0.50)	0.00	17.50	17.50
Personal Services	755,642	155,577	0	911,219	156,511	0	912,153	1,823,372
Operating Expenses	1,080,064	7,787	0	1,087,851	7,798	0	1,087,862	2,175,713
Equipment	7,100	0	0	7,100	0	0	7,100	14,200
Benefits & Claims	174,604,707	10,431,141	2,093,521	187,129,369	15,090,200	2,829,709	192,524,616	379,653,985
Debt Service	5,126	0	0	5,126	0	0	5,126	10,252
Total Costs	\$176,452,639	\$10,594,505	\$2,093,521	\$189,140,665	\$15,254,509	\$2,829,709	\$194,536,857	\$383,677,522
General Fund	34,012,784	8,021,095	553,441	42,587,320	9,351,971	785,612	44,150,367	86,737,687
State/Other Special	9,639,499	3,169,375	204,000	13,012,874	4,371,341	204,000	14,214,840	27,227,714
Federal Special	132,800,356	(595,965)	1,336,080	133,540,471	1,531,197	1,840,097	136,171,650	269,712,121
Total Funds	\$176,452,639	\$10,594,505	\$2,093,521	\$189,140,665	\$15,254,509	\$2,829,709	\$194,536,857	\$383,677,522

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				226,338					227,432	
Vacancy Savings				(39,279)					(39,325)	
Inflation/Deflation				(330)					(319)	
Total Statewide Present Law Adjustments				\$186,729					\$187,788	
DP 16 - Medicaid Caseload - Home Based Services	0.00	385,510	0	923,846	1,309,356	0.00	636,491	0	1,490,820	2,127,311
DP 21 - Medicaid Caseload - Nursing Homes	0.00	170,926	0	412,640	583,566	0.00	265,163	0	621,076	886,239
DP 24 - FMAP Enhancement Adjustment - Nursing Homes	0.00	2,972,470		(2,972,470)	0	0.00	2,972,470	0	(2,972,470)	0
DP 27 - FMAP Enhancement Adjustment - Home Based Services	0.00	569,730	0	(569,730)	0	0.00	569,730	0	(569,730)	0
DP 28 - FMAP Enhancement Adjustment - Waiver Services	0.00	507,274	0	(507,274)	0	0.00	507,274	0	(507,274)	0
DP 30 - FMAP Adjustment - Nursing Homes	0.00	2,447,917	0	(2,447,917)	0	0.00	3,182,292	0	(3,182,292)	0
DP 33 - FMAP Adjustment - Home Based Services	0.00	490,189	0	(490,189)	0	0.00	615,730	0	(615,730)	0
DP 34 - FMAP Adjustment - Waiver Services	0.00	417,755	0	(417,755)	0	0.00	543,081	0	(543,081)	0
DP 88 - Annualize HB 705 Nursing Home Fee	0.00	0	1,147,719	2,770,749	3,918,468	0.00	0	1,172,406	2,746,062	3,918,468
DP 89 - County Nursing Home IGT Increase	0.00	0	1,353,125	3,266,626	4,619,751	0.00	0	2,440,928	5,717,254	8,158,182
DP 91 - FMAP Enhancement Adjustment - Nursing Home IGTs	0.00	0	362,163	(362,163)	0	0.00	0	362,163	(362,163)	0
DP 94 - FMAP Adjustment - County Nursing Home IGTs	0.00	0	298,251	(298,251)	0	0.00	0	387,727	(387,727)	0
DP 106 - Annualize Traumatic Brain Injury Funds	0.00	0	8,117	0	8,117	0.00	0	8,117	0	8,117
DP 9999 - Statewide FTE Reduction	(0.50)	(31,482)	0	0	(31,482)	(0.50)	(31,596)	0	0	(31,596)
Total Other Present Law Adjustments										
	(0.50)	\$7,930,289	\$3,169,375	(\$691,888)	\$10,407,776	(0.50)	\$9,260,635	\$4,371,341	\$1,434,745	\$15,066,721
Grand Total All Present Law Adjustments				\$10,594,505					\$15,254,509	

DP 16 - Medicaid Caseload - Home Based Services - This request adds \$2.4 million in federal funds and about \$1 million in general fund over the biennium for Medicaid caseload growth in the home based services program. This service array includes the hospice, home health, and personal assistance benefits. Caseload estimates grow about 3 percent annually due to demographic trends and increased utilization of these services

DP 21 - Medicaid Caseload - Nursing Homes - This request adds about \$1 million in federal funds and \$0.4 million general fund over the biennium for Medicaid caseload growth in nursing homes, a rate of 0.25 percent (one-quarter of one percent) per year. This funding would allow the program to serve 8 additional people each year. Currently the program provides services to about 5,250 people each year (unduplicated count).

**LFD
COMMENT**

Caseload Estimates – As noted in the division overview, the LFD estimates for nursing home costs are lower than executive budget estimates. Please refer to the issue in the program narrative for a discussion of estimated caseload changes.

DP 24 - FMAP Enhancement Adjustment - Nursing Homes - The federal Jobs and Growth Tax Relief Reconciliation Act authorized a temporary increase of about 3 percent in the federal Medicaid match rate during FY 2004 and therefore a like state match decrease. This request adds nearly \$5.9 million general fund over the biennium, with an offsetting decrease in federal funds, to reflect the removal of the enhanced federal match rate in FY 2006 and FY 2007 for nursing home services. DP 27, DP 28, and DP 91 also adjust for one-time federal match rate changes to fund Medicaid home based and community waiver services.

**LFD
COMMENT**

Total Present Law Cost for Medicaid Services Administered by SLTC – As in other divisions that administer Medicaid programs, the executive budget request breaks present law adjustments for Medicaid services into several components. The legislature may wish to combine all present law proposals that it approves into one present law adjustment. A table will be maintained similar to the one included in the budget analysis DPHHS overview that shows the total general fund present law adjustment made due to changes in federal match rates. Figure 56 shows each Medicaid service administered by this division and the total present law request.

Figure 56**Senior and Long Term Care Division 2007 Biennium Medicaid Request by Component and Total**

Medicaid Services Present Law and New Proposals	FY 2006				FY 2007			
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total
<u>Nursing Home Services</u>								
FY 2004 Base Budget	\$23,899,235	\$4,977,388	\$87,690,839	\$116,567,462	\$23,899,235	\$4,977,388	\$87,690,839	\$116,567,462
DP 21 - Caseload Change	170,926	0	412,640	583,566	265,163	0	621,076	886,239
DP 24 - Enhanced Federal Match Rate	2,972,470	0	(2,972,470)	0	2,972,470	0	(2,972,470)	0
DP 30 - FMAP Adj. - 2007 Biennium	2,447,917	0	(2,447,917)	0	3,182,292	0	(3,182,292)	0
DP 88 - HB705 - Annualize NH Fee	0	1,147,719	2,770,749	3,918,468	0	1,172,406	2,746,062	3,918,468
Total Nursing Home Request	\$29,490,548	\$6,125,107	\$85,453,841	\$121,069,496	\$30,319,160	\$6,149,794	\$84,903,215	\$121,372,169
Percent Increase Over Base Budget	23%	23%	-3%	4%	27%	24%	-3%	4%
<u>Home Based Services - Entitlement</u>								
FY 2004 Base Budget	\$4,386,083	\$999,999	\$17,168,128	\$22,554,210	\$4,386,083	\$999,999	\$17,168,128	\$22,554,210
DP 16 - Caseload Change	385,510	0	923,846	1,309,356	636,491	0	1,490,820	2,127,311
DP 27 - Enhanced Federal Match Rate	569,730	0	(569,730)	0	569,730	0	(569,730)	0
DP 33 - FMAP Adj. - 2007 Biennium	490,189	0	(490,189)	0	615,730	0	(615,730)	0
Subtotal Present Law - Home Based	<u>\$5,831,512</u>	<u>\$999,999</u>	<u>\$17,032,055</u>	<u>\$23,863,566</u>	<u>\$6,208,034</u>	<u>\$999,999</u>	<u>\$17,473,488</u>	<u>\$24,681,521</u>
Percent Increase Over Base Budget	33%	0%	-1%	6%	42%	0%	2%	9%
<i>New Proposals - Home Based Services</i>								
DP 4 - PSA - Hospice/Home Therapy	\$0	\$204,000	\$0	\$204,000	\$0	\$204,000	\$0	\$204,000
DP 114 - Personal Assistance Base	<u>223,196</u>	<u>0</u>	<u>538,825</u>	<u>762,021</u>	<u>227,997</u>	<u>0</u>	<u>534,024</u>	<u>762,021</u>
Subtotal New Proposals	<u>\$223,196</u>	<u>\$204,000</u>	<u>\$538,825</u>	<u>\$966,021</u>	<u>\$227,997</u>	<u>\$204,000</u>	<u>\$534,024</u>	<u>\$966,021</u>
Total Home Based Request	\$6,054,708	\$1,203,999	\$17,570,880	\$24,829,587	\$6,436,031	\$1,203,999	\$18,007,512	\$25,647,542
Percent Increase Over Base Budget	38%	20%	2%	10%	47%	20%	5%	14%
<u>Community Services Waiver - Nonentitlement</u>								
FY 2004 Base Budget	\$4,871,238	\$0	\$15,021,851	\$19,893,089	\$4,871,238	\$0	\$15,021,851	\$19,893,089
DP 24 - Enhanced Federal Match Rate	507,274	0	(507,274)	0	507,274	0	(507,274)	0
DP 34 - FMAP Adj. - 2007 Biennium	<u>417,755</u>	<u>0</u>	<u>(417,755)</u>	<u>0</u>	<u>543,081</u>	<u>0</u>	<u>(543,081)</u>	<u>0</u>
Subtotal Present Law - Home Based	<u>\$5,796,267</u>	<u>\$0</u>	<u>\$14,096,822</u>	<u>\$19,893,089</u>	<u>\$5,921,593</u>	<u>\$0</u>	<u>\$13,971,496</u>	<u>\$19,893,089</u>
<i>New Proposal</i>								
DP 81 - Additional Clients - Waiver	<u>\$330,245</u>	<u>\$0</u>	<u>\$797,255</u>	<u>\$1,127,500</u>	<u>\$557,615</u>	<u>\$0</u>	<u>\$1,306,073</u>	<u>\$1,863,688</u>
Total Waiver Request	\$6,126,512	\$0	\$14,894,077	\$21,020,589	\$6,479,208	\$0	\$15,277,569	\$21,756,777
Percent Increase Over Base Budget	26%	0%	-1%	6%	33%	0%	2%	9%
<u>Total Medicaid Services - Senior and Long Term Care</u>								
Base Budget	\$33,156,556	\$5,977,387	\$119,880,818	\$159,014,761	\$33,156,556	\$5,977,387	\$119,880,818	\$159,014,761
Present Law Adjustments	556,436	1,147,719	4,107,235	5,811,390	901,654	1,172,406	4,857,958	6,932,018
Present Law Due to Fed Match Change	7,405,335	0	(7,405,335)	0	8,390,577	0	(8,390,577)	0
New Proposals	<u>553,441</u>	<u>204,000</u>	<u>1,336,080</u>	<u>2,093,521</u>	<u>785,612</u>	<u>204,000</u>	<u>1,840,097</u>	<u>2,829,709</u>
Grand Total Request	\$41,671,768	\$7,329,106	\$117,918,798	\$166,919,672	\$43,234,399	\$7,353,793	\$118,188,296	\$168,776,488
Percent Increase Over Base Budget	26%	23%	-2%	5%	30%	23%	-1%	6%

DP 27 - FMAP Enhancement Adjustment - Home Based Services - This request adds \$1 million general fund over the biennium, with an offsetting decrease in federal funds, to reflect the termination of the enhanced federal Medicaid match rate in FY 2006 and FY 2007 for home based services. DP 24, DP 28, and DP 91 make similar adjustments for the other Medicaid services administered by this division.

DP 28 - FMAP Enhancement Adjustment - Waiver Services - This request increases general fund \$1 million over the biennium, with an offsetting decrease in federal funds, to reflect the removal of the enhanced federal match rate in FY 2006 and FY 2007 in Waiver Services. DP 24, DP 27, and DP 91 are similar and show match rate changes for each Medicaid service administered by the division.

DP 30 - FMAP Adjustment - Nursing Homes - This request provides an increase in general fund of close to \$5.6 million over the biennium, with an offsetting decrease in federal funds, due to projected changes in the federal Medicaid match rates for FY 2006 and FY 2007 for nursing home services. Federal match rates are adjusted annually based on changes in a state's per capita income compared the national per capita income. DP 30, 33, and 34 are similar, in that each one requests an increase in general fund and a reduction in federal funds for the annual change in the federal Medicaid match rate for the three Medicaid services administered by SLTC.

The Department of Public Health and Human Services switched to a date-of-payment process for Medicaid. This has resulted in different blended Federal Medical Assistance Percentage (FMAP) rates for the DPHHS programs dependent on the historical projections of the time between date of Medicaid service, the date of payment, and the FMAP rate for the federal fiscal years the payments occur in. For the Child and Adult Health Resources Division, the Senior and Long Term Care Division, and the Addictive and Mental Disorders Division, the following provides an FMAP overview.

DP 33 - FMAP Adjustment - Home Based Services - This request increases general fund about \$1 million over the biennium, with an offsetting decrease in federal funds, due to changes in the federal Medicaid match rate for FY 2006 and FY 2007 for home based services. DP 30, 33, and 34 are similar, in that each one requests an increase in general fund and a reduction in federal funds for the change in the federal Medicaid match rate for the three Medicaid services administered by SLTC.

DP 34 - FMAP Adjustment - Waiver Services - This request adds about \$1 million general fund over the biennium, with an offsetting decrease in federal funds, due to annual changes in the federal Medicaid match rate for FY 2006 and FY 2007 for waiver services. DP 30, 33, and 34 are similar, in that each one requests an increase in general fund and a reduction in federal funds for the change in the federal Medicaid match rate for the three Medicaid services administered by SLTC.

DP 88 - Annualize HB 705 Nursing Home Fee - This request adds \$7.8 million, including \$2.3 million state special revenue, over the biennium for the FY 2005 increase in the daily nursing home rate due to the increase in the nursing home utilization fee. The fee, authorized by 15-60-102(1)(b) and (c), MCA (HB 705 in the 2003 session), is to be used only to pay nursing home rates in excess of the rate paid in FY 2003 (15-60-211(2), MCA). The anticipated revenue in FY 2005 is estimated to provide an additional \$4 per day above the rate paid in FY 2004. The Medicaid nursing home base rate was \$93.79 in FY 2004 and is expected to rise to \$97.79 in FY 2006, not including patient contribution or Intergovernmental Transfer (IGT) revenue. Bed tax rates and deposit of revenue authorized in statutes are as follows:

- \$2.80 per day – deposited to the general fund
- Effective FY 2004 an additional \$1.70 – deposited to the state special revenue account
- Effective FY 2005 an additional \$2.50 – deposited to the state special revenue account

DP 89 - County Nursing Home IGT Increase - This request adds the increase between FY 2004 and FY 2005 in IGT revenue for nursing homes that was authorized by the 2003 Legislature, and includes an anticipated increase in FY 2007. This request totals close to \$13 million over the biennium. Of this total, \$4 million is derived from state special revenue from local governments that support county nursing homes and participate in the IGT program, with the remainder from federal funding.

**LFD
COMMENT**

Amount of IGT – As noted in the division overview, DPHHS is awaiting guidance from the federal government about allowable IGT transactions between nursing homes and county governments. The legislature may wish to consider whether the IGT will be as large as in previous years due to new or unknown restrictions, and the requirement to repay federal IGT funds if an audit concludes the federal IGT funds were improperly spent.

DP 91 - FMAP Enhancement Adjustment - Nursing Home IGTs - The federal Jobs and Growth Tax Relief Reconciliation Act temporarily increased the federal Medicaid match rate about 3 percent in FY 2004. This request adds \$724,326 county fund state special revenue over the biennium, with an offsetting decrease in federal funds, to reflect the removal of the enhanced federal match rates in FY 2006 and FY 2007. DP 24, DP 27, and DP 28 are similar.

DP 94 - FMAP Adjustment - County Nursing Home IGTs - This request adds \$0.7 million state special over the biennium, with an offsetting decrease in federal funds, due to projected reductions in the federal Medicaid match rates in FY 2006 and FY 2007 for nursing home IGTs. DP 30, DP 34, and DP 33 are similar.

DP 106 - Annualize Traumatic Brain Injury Funds - This request annualizes revenue and expenditures from HB 698, which was passed in the 2003 legislative session and became effective on January 1, 2004. Revenue is received from a check off on license plate renewals (61-3-303(1)(f), MCA) and is used to support activities related to traumatic brain injured persons. The request totals \$16,000 over the biennium, all of which comes from the state special revenue derived from the check off option.

DP 9999 - Statewide FTE Reduction - This decision package implements a funding reduction equivalent to the reductions taken in the 2003 legislative session. The general fund and 0.15 FTE per biennium are removed from the budget permanently.

New Proposals

New Proposals										
Sub Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Continuation of PSA for Hospice and Home Therapy (Requires Legislation)										
01	0.00	0	204,000	0	204,000	0.00	0	204,000	0	204,000
DP 81 - Additional Clients in Community Based Waiver										
01	0.00	330,245	0	797,255	1,127,500	0.00	557,615	0	1,306,073	1,863,688
DP 114 - Personal Assistance Base Restoration										
01	0.00	223,196	0	538,825	762,021	0.00	227,997	0	534,024	762,021
Total	0.00	\$553,441	\$204,000	\$1,336,080	\$2,093,521	0.00	\$785,612	\$204,000	\$1,840,097	\$2,829,709

DP 4 - Continuation of PSA for Hospice and Home Therapy (Requires Legislation) - During the 2005 biennium, a large portion of the state matching costs for hospice and home therapy Medicaid services were funded from the prevention and stabilization account (PSA) through SB 485 (17-6-606, MCA). The majority of the PSA funding during the 2005 biennium came from a one-time diversion of tobacco settlement funds. This request and accompanying legislation makes the diversion of tobacco settlement proceeds from tobacco control and prevention activities to the PSA permanent. Other executive budget requests throughout DPHHS are also dependent on this legislation. The PSA and tobacco settlement funds are discussed in the DPHHS overview.

DP 81 - Additional Clients in Community Based Waiver - This proposal would expand the Medicaid program that allows persons who meet nursing home level of care standards to remain in the community setting by providing an array of services that meet their individual needs. This proposal provides funding for 50 persons in FY 2006 and about 30 additional persons in FY 2007. The cost of this proposal totals about \$3 million over the biennium, including \$0.9 million general fund.

**LFD
ISSUE**

Waiver Expansion, Average Cost, and Impact on Nursing Home Care – The Home and Community Based Waiver for SLTC provides services that support persons in their homes or in small congregate living situations. A condition of the waiver is that waiver services must cost less than nursing home level of care or in some instances hospital care.

The average cost per waiver slot equates to \$23,000 annually. However, the cost of this request is predicated on the combination of three types of service slots and the average cost for each of these slots:

- 1) Basic slots with an average cost of \$17,500;
- 2) Adult residential slots with an average cost \$22,000; and
- 3) Supported living with an average cost of \$50,000.

If the legislature approves this request, the types of services provided should help slow the growth in nursing home services.

LFD staff has requested historical waiver data expressed in the same types of units (slots) as the expanded proposal so that the legislature can evaluate the programmatic trends compared to the expansion request. The division was unable to provide the data so that it could be included in the budget analysis. LFD staff has requested that such data be available early during the legislative session.

DP 114 - Personal Assistance Base Restoration - This request adds \$1.5 million over the biennium, including about \$0.5 million general fund, to support personal care providers and, to a lesser extent, direct care wages for caregivers at the FY 2005 funding level. The 2003 Legislature used a one-time diversion from changes made to state special revenue corporation tax (water's edge corporation tax) through HB 721 to provide such services and payments during the 2005 biennium. In future biennia, this source of revenue will be deposited to the general fund.

Veterans' Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	123.69	0.00	0.00	123.69	0.00	0.00	123.69	123.69
Personal Services	3,911,221	639,024	0	4,550,245	651,676	0	4,562,897	9,113,142
Operating Expenses	3,369,274	341,737	287,112	3,998,123	330,168	250,000	3,949,442	7,947,565
Equipment	31,936	0	85,000	116,936	0	0	31,936	148,872
Debt Service	6,034	0	0	6,034	0	0	6,034	12,068
Total Costs	\$7,318,465	\$980,761	\$372,112	\$8,671,338	\$981,844	\$250,000	\$8,550,309	\$17,221,647
State/Other Special	4,413,478	420,691	372,112	5,206,281	354,203	250,000	5,017,681	10,223,962
Federal Special	2,904,987	560,070	0	3,465,057	627,641	0	3,532,628	6,997,685
Total Funds	\$7,318,465	\$980,761	\$372,112	\$8,671,338	\$981,844	\$250,000	\$8,550,309	\$17,221,647

Veterans' services comprise 4 percent of the FY 2007 division budget request. The program administers the two veterans' homes. The Montana Veterans' Home is staffed by state employees and operation of the Eastern Montana Veterans' Home is contracted. The most significant change is in personal services, due to statewide present law adjustments that fully fund FTE and due to adjustments for overtime pay. Fixed cost increases for utilities is also a significant component of state wide present law adjustments. There are two present law adjustments that add about \$450,000 each year and two new proposals. The new proposals add funds for equipment and request continuation of a one-time restricted appropriation for staffing issues, both funded out of the cigarette tax state special revenue.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				584,491					597,665	
Vacancy Savings				(179,827)					(180,349)	
Inflation/Deflation				9,490					7,385	
Fixed Costs				122,550					89,068	
Total Statewide Present Law Adjustments				\$536,704					\$513,769	
DP 93 - Montana Veterans' Home Adjustments										
	0.00	0	295,821	0	295,821	0.00	0	295,821	0	295,821
DP 175 - Additional Funding - Eastern Montana Veterans' Home										
	0.00	0	0	148,236	148,236	0.00	0	0	172,254	172,254
Total Other Present Law Adjustments										
	0.00	\$0	\$295,821	\$148,236	\$444,057	0.00	\$0	\$295,821	\$172,254	\$468,075
Grand Total All Present Law Adjustments				\$980,761					\$981,844	

DP 93 - Montana Veterans' Home Adjustments - This request provides \$591,642 in cigarette tax state special revenue over the biennium for current level services at the Montana Veterans' Home (MVH). These services include holiday worked, overtime, and differential pay to staff a 24-hour a day, 7 day a week facility. These items are zero based and must be requested each biennium. The request also includes increases for drugs, medical services, food, janitorial services and other costs as well as payment of the increased nursing home bed fee.

**LFD
ISSUE**

Overtime Pay – The executive budget requests an additional \$28,944 above the overtime pay levels recorded in the base budget. The legislature could consider reducing the annual 2007 biennium request to the amount spent in the base budget and reduce expenditures from the cigarette state special revenue account. Such a reduction would increase the potential transfer to the general fund by a like amount.

DP 175 - Additional Funding - Eastern Montana Veterans' Home - This request reflects anticipated increases in the reimbursement received for nursing services from the Veterans' Administration for services at the Eastern Montana Veterans' Home. The additional federal reimbursement will total \$320,490 over the biennium.

New Proposals

New Proposals										
Sub Program	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 95 - Montana Veterans' Home Contingency Fund Line Item										
02	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 116 - Montana Veterans' Home Replacement Vehicles										
02	0.00	0	85,000	0	85,000	0.00	0	0	0	0
DP 118 - Eastern Montana Veterans' Home Flooring										
02	0.00	0	37,112	0	37,112	0.00	0	0	0	0
Total	0.00	\$0	\$372,112	\$0	\$372,112	0.00	\$0	\$250,000	\$0	\$250,000

DP 95 - Montana Veterans' Home Contingency Fund Line Item - This request continues a restricted line item appropriation in HB 2 of \$250,000 state special revenue each year. This appropriation was authorized by the 2003 Legislature to allow for operation of the Montana Veterans' Home at a capacity to maximize the collection of federal revenue and private payments. The funds were fully expended in FY 2004.

Funds were used to recruit and retain employees as well as hiring positions from a temporary employment service in order to insure that nursing home staffing requirements are met. Base budget costs for hiring temporary workers was \$399,904, which is more than 10 percent of total base budget personal services costs for MVH FTE

DP 116 - Montana Veterans' Home Replacement Vehicles - This request would provide funding for the Montana Veterans' Home in Columbia Falls to replace 4 vehicles: 2 vans that provide transportation for staff and clients, and 2 trucks used on the facility grounds. The cost of this request is \$85,000 in FY 2006, funded from cigarette tax state special revenue that supports the costs of this facility.

DP 118 - Eastern Montana Veterans' Home Flooring - This request would fund replacement of several areas of flooring at the Eastern Montana Veterans' Home in Glendive. The anticipated cost of these repairs totals \$37,112 in FY 2006 and comes from the cigarette tax state special revenue that supports the costs of the facility.

Aging Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	8.00	0.00	0.00	8.00	0.00	0.00	8.00	8.00
Personal Services	393,415	(7,022)	0	386,393	(6,739)	0	386,676	773,069
Operating Expenses	318,852	(381)	0	318,471	(366)	0	318,486	636,957
Grants	7,226,930	137,721	257,000	7,621,651	137,721	257,000	7,621,651	15,243,302
Benefits & Claims	864,900	32,448	0	897,348	32,448	0	897,348	1,794,696
Total Costs	\$8,804,097	\$162,766	\$257,000	\$9,223,863	\$163,064	\$257,000	\$9,224,161	\$18,448,024
General Fund	1,992,967	32,656	257,000	2,282,623	32,448	257,000	2,282,415	4,565,038
State/Other Special	24,771	0	0	24,771	0	0	24,771	49,542
Federal Special	6,786,359	130,110	0	6,916,469	130,616	0	6,916,975	13,833,444
Total Funds	\$8,804,097	\$162,766	\$257,000	\$9,223,863	\$163,064	\$257,000	\$9,224,161	\$18,448,024

The aging function administers grants for community services managed by local agencies and the state supplement payment for persons eligible for Social Security Insurance payments due to their disability and low income. The 2007 biennium budget request increases about \$0.4 million annually above the FY 2004 base budget request. The single largest request (\$0.3 million general fund annually) would restore aging services reductions (characterized as a cut to the Meals on Wheels program) proposed in the 2003 biennium executive budget and accepted by the legislature. The Governor offset the reduction during the 2003 biennium with one-time federal fiscal relief funds, which are removed from the FY 2004 base budget. The other changes in the aging services function budget request increases in federal funding for care giver grant functions and general fund for supplemental payments to developmentally disabled individuals entering community services.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				9,076					9,373	
Vacancy Savings				(16,098)					(16,112)	
Inflation/Deflation				(381)					(366)	
Total Statewide Present Law Adjustments				(\$7,403)					(\$7,105)	
DP 22 - State Supplement Caseload Increase										
	0.00	32,448	0	0	32,448	0.00	32,448	0	0	32,448
DP 173 - Increased Funding For Caregiver Program										
	0.00	0	0	137,721	137,721	0.00	0	0	137,721	137,721
Total Other Present Law Adjustments										
	0.00	\$32,448	\$0	\$137,721	\$170,169	0.00	\$32,448	\$0	\$137,721	\$170,169
Grand Total All Present Law Adjustments				\$162,766					\$163,064	

DP 22 - State Supplement Caseload Increase - This request adds about \$65,000 general fund over the biennium to pay the state Social Security supplemental payment for Medicaid eligible persons residing in the community. The request is based on the Travis D. lawsuit that was settled in February 2004. The terms of the mediation settlement agreement between the executive branch and the plaintiffs requires the department to move at least 45 individuals from the Montana Developmental Center (MDC) into community services by December 2007. The first group of 26 are scheduled to be

placed in community services by the end of FY 2005, then the final 19 persons would transition starting July 2007 through Dec 2007.

**LFD
ISSUE**

State Supplement Payments – This request funds the state supplement payments that will be paid due to the Travis D. settlement. The cost of benefits paid to eligible individuals who are not part of the settlement and move into community services is not included in this request. The legislature may wish to ensure that the general fund necessary to meet any higher level of state supplement payments be transferred from the Disability Services Division to SLTC. This issue, including legislative policy and fiscal options, is discussed in greater detail in the Disability Services Division program.

DP 173 - Increased Funding For Caregiver Program - This request adds \$275,442 in federal spending authority over the biennium for increased funding of the Caregiver Program. This program provides information, assistance, education, and support for family caregivers, which includes grandparents raising grandchildren. It also provides for respite care and some limited short-term support services.

**LFD
COMMENT**

Additional Support Services to Maintain Persons in Their Homes – This federal grant helps provide support to family caregivers, including those care givers who support aged and disabled persons. If the legislature authorizes this funding request, it could contribute to helping slow growth in nursing home utilization.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 68 - Restore Meals on Wheels Funding										
03	0.00	257,000	0	0	257,000	0.00	257,000	0	0	257,000
Total	0.00	\$257,000	\$0	\$0	\$257,000	0.00	\$257,000	\$0	\$0	\$257,000

DP 68 - Restore Meals on Wheels Funding - This proposal restores funding that was removed by the 2003 Legislature and was later temporarily restored by the Governor during FY 2004 with federal funds from Jobs and Growth Tax Relief Reconciliation Act. The cost of this proposal totals \$514,000 from the general fund over the biennium, and is used to support programs administered by locally based Area Agencies on Aging such as Meals on Wheels.

Division Administration Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	287,153	(2,996)	0	284,157	(3,817)	0	283,336	567,493
Operating Expenses	74,093	3,836	0	77,929	4,242	0	78,335	156,264
Total Costs	\$361,246	\$840	\$0	\$362,086	\$425	\$0	\$361,671	\$723,757
General Fund	158,492	704	0	159,196	173	0	158,665	317,861
State/Other Special	55,583	46	0	55,629	78	0	55,661	111,290
Federal Special	147,171	90	0	147,261	174	0	147,345	294,606
Total Funds	\$361,246	\$840	\$0	\$362,086	\$425	\$0	\$361,671	\$723,757

The division administration function 2007 biennium budget changes little from the FY 2004 base budget. The statewide present law adjustment is the only change.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				8,845					7,988
Vacancy Savings				(11,841)					(11,805)
Inflation/Deflation				(64)					(61)
Fixed Costs				3,900					4,303
Total Statewide Present Law Adjustments				\$840					\$425
Grand Total All Present Law Adjustments				\$840					\$425

Adult Protective Services Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	38.75	(0.15)	0.00	38.60	(0.15)	0.00	38.60	38.60
Personal Services	1,531,246	154,411	0	1,685,657	154,961	0	1,686,207	3,371,864
Operating Expenses	258,205	(2,853)	0	255,352	(2,745)	0	255,460	510,812
Equipment	30,000	0	0	30,000	0	0	30,000	60,000
Benefits & Claims	59,661	0	0	59,661	0	0	59,661	119,322
Debt Service	4,752	0	0	4,752	0	0	4,752	9,504
Total Costs	\$1,883,864	\$151,558	\$0	\$2,035,422	\$152,216	\$0	\$2,036,080	\$4,071,502
General Fund	1,299,775	122,858	0	1,422,633	122,802	0	1,422,577	2,845,210
State/Other Special	221,899	22,345	0	244,244	22,976	0	244,875	489,119
Federal Special	362,190	6,355	0	368,545	6,438	0	368,628	737,173
Total Funds	\$1,883,864	\$151,558	\$0	\$2,035,422	\$152,216	\$0	\$2,036,080	\$4,071,502

The Adult Protective Services (APS) program is responsible for the investigation of abuse, neglect, and exploitation of adults. Additionally, the program has about \$60,000 annually to help provide emergency services such as temporary lodging, and cleaning. The majority of FTE in the program are adult protective services social workers.

The budget request shows a net increase of about \$123,000 general fund each year (\$152,000 total funds) due to statewide present law adjustments, with a slight offset for a proposal to continue personal services funding reductions made by the 2003 legislature.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				230,353					231,044
Vacancy Savings				(70,465)					(70,496)
Inflation/Deflation				(2,853)					(2,745)
Total Statewide Present Law Adjustments				\$157,035					\$157,803
DP 9999 - Statewide FTE Reduction	(0.15)	(5,477)	0	0	(5,477)	(0.15)	(5,587)	0	0
Total Other Present Law Adjustments	(0.15)	(\$5,477)	\$0	\$0	(0.15)	(\$5,587)	\$0	\$0	(\$5,587)
Grand Total All Present Law Adjustments				\$151,558					\$152,216

DP 9999 - Statewide FTE Reduction - This decision package implements a funding reduction equivalent to the reductions taken in the 2003 legislative session. The general fund and 0.15 FTE per biennium are removed from the budget permanently.